



WEEKLY OUTLOOK

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MID YEAR ASSESSMENT OF CORN AND SOYBEAN MARKETS

March 1 marks the midpoint of the corn and soybean marketing year. It has been a bit of tradition to review the progress of corn and soybean consumption at this time of transition from old crop to new crop focus.

The export picture for both corn and soybeans is somewhat confused due to the large difference in export estimates among the various reports. In the case of corn, the USDA export inspections report shows a 13.4 percent decline in shipments from the first half of the 2001-02 marketing year to the first half of the 2002-03 marketing year (September through February). The USDA's export sales report shows an 8.3 percent decline for the same time period. The Census Bureau export estimates through December showed a decline of 4.8 percent, while USDA reports through December showed declines of 9.5 percent and 5.7 percent. For soybeans, the USDA export inspection report shows a 2.2 percent decline in shipments during the first half of the current marketing year, and the USDA export sales report is consistent, showing a 2.1 percent decline. However, the Census Bureau estimates through December showed a decline of 13.8 percent while USDA estimates for the same period indicated declines of 8.6 percent and 8 percent. It appears that Census Bureau estimates, which became the official estimates, have overstated corn exports and understated soybean exports. The discrepancies suggest some errors in reporting to the Census Bureau. If the discrepancies continue, the USDA will report a very large residual use of soybeans in the supply-demand balance sheet and will understate feed and residual use of corn.

Typically, the rate of soybean exports declines sharply beginning in March or April due to the availability of South American soybeans. The extremely large crop currently being harvested in South America suggests that the rate of U.S. soybean exports will drop more than the normal amount this year. However, USDA estimates show that as of February 27, 148 million bushels of U.S. soybeans had been sold for export, but not yet shipped. That is only 2 percent less than unshipped sales of a year ago. Export shipments plus sales account for 96.3 percent of projected exports for the year, with 26 weeks remaining in the marketing year. China accounts for 25 percent of the unshipped sales. Unless all of the sales to China are cancelled, it appears that exports of U.S. soybeans this year will exceed the current USDA projection.

U.S. corn exports show less of a seasonal pattern than U.S. soybean exports. In three of the past four years, shipments have been slow in the December through February period, but recovered in the last half of the marketing year. Some hope for a late recovery in corn exports this year was generated by very large sales during the week ended February 27. Even so,

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unshipped sales of a February 27 totaled only 215 million bushels, 25 percent less than on the same date last year. Unless sales continue large for several weeks, shipments for the year may fall short of the current USDA projection.

The domestic soybean crush has also slowed recently. For the first 5 months of the marketing year, the crush totaled 710.4 million bushels, 3.5 percent less than the total during the same period last year. For the entire 2002-03 marketing year, the USDA has projected a 2.6 percent decline in the domestic crush. A sharp reduction in soybean meal exports accounts for the slower pace of crush. The USDA reports meal shipments through February 27 at 3.04 million tons, 16 percent less than the total of a year ago. Unshipped sales as of February 27 totaled only 1.4 million tons, 32 percent less than on the same date last year. A shortfall in the domestic crush may partly offset the impact of larger than expected exports.

Domestic corn consumption reveals two different trends. Processing use of corn is up sharply, driven by increased use of corn for ethanol production. Use for all food and industrial purposes during the 2002-03 marketing year may exceed the USDA projection of 2.265 billion bushels. Feed and residual use of corn during the first quarter of the marketing year was estimated to be 7.6 percent less than during the same quarter last year. Part of the reason for the large decline was the large Census Bureau estimate of exports during the quarter. Using the USDA's estimate of exports, feed and residual use during the quarter was down 6.2 percent. The March 1, *Grain Stocks* report, to be released on March 31, will provide an estimate of feed and residual use of corn during the second quarter of the marketing year. The rate of decline compared to last year is expected to be smaller than during the first quarter. For the year, the USDA projects a 4.7 percent decline in feed and residual use of corn.

Compared to a typical year, there are a few more uncertainties about the demand for old crop corn and soybeans this year. Still, the focus will be largely on 2003 production prospects.

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